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BIWEEKLY REPORT

SINO-SOVIET BLOC ECONOMIC ACTIVITIES IN UNDERDEVELOPED AREAS

EIC-WGR-1/61

9 June 1958

**PREPARED BY THE WORKING GROUP
ON SINO-SOVIET BLOC ECONOMIC ACTIVITIES
IN UNDERDEVELOPED AREAS**

ECONOMIC INTELLIGENCE COMMITTEE

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Summary of Events
23 May - 5 June 1958

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An Indonesian firm purchased Soviet electrical equipment valued at \$796,000 early in March. Subsequently, Soviet officials in Djakarta informed the Indonesians that Soviet credit is available in unlimited amounts to Indonesian private enterprise for the purchase of capital goods. The Soviet officials also indicated that these funds would be entirely separate from the \$100-million Soviet credit to the Indonesian government.

At least 4, and possibly as many as 5 or 6, Il-14 aircraft equipped as troop transports arrived in Indonesia on or about 22 May. These planes (reportedly 11 in all) were purchased from the Omnipol factory in Prague at a unit cost of about \$250,000. On 28 May the Indonesian Air Force publicly demonstrated one of the new Il-14's, and on the same occasion two MIG-15 jet aircraft were observed in the air over Djakarta.

The threat of the withdrawal of Soviet aid to Yugoslavia which was discussed in the Biweekly Report of 26 May has partially been carried out. On 27 May the USSR announced its unilateral decision to "postpone" for 5 years the utilization of the remainder of the \$110-million Soviet investment credit of 12 January 1956 as well as the \$175-million joint Soviet - East German credit of 1 August 1956 for the construction of an aluminum combine. Other Bloc credits (totaling \$179 million) were not mentioned by the USSR and

- i -

S-E-C-R-E-T

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presumably are not as yet affected. Yugoslavia angrily refused to agree to any postponement or even to any negotiation to postpone. Furthermore, Yugoslavia threatened to claim compensation "for losses suffered" -- apparently for Yugoslav expenditures already made in anticipation of receiving Soviet capital equipment.

Bloc economic activity in South Asia during the period included (1) a provisional acceptance by the government of Afghanistan of a Soviet offer of free surveys for all projects under the \$100-million credit which have not already been started, (2) an offer by the USSR and Czechoslovakia of nine commercial aircraft to Nepal, (3) the discovery of a considerable volume of natural gas in the first test oil well being drilled with Rumanian assistance in Punjab state in India, and (4) the departure of a 10-member Indian trade promotion delegation for a tour of the USSR and a number of the European Satellites.

In Africa the USSR has offered to increase greatly Soviet trade with Sudan, to settle Sudanese credit balances in any suitable currency, and to extend financial and technical assistance to Sudan for its economic development program. A Czechoslovak offer to construct a cement plant in Eritrea reportedly will be accepted shortly by the Ethiopian government. Czechoslovakia will finance the project with a \$2-million loan and furnish the necessary technicians for construction and operation. Czechoslovakia also is reported to have offered to supply Ethiopia with military aircraft in exchange for coffee and oilseeds on terms very favorable to the Ethiopians. The offer includes fighter and transport planes as well as an accompanying training program for pilots and ground crews.

The USSR and Finland issued a joint communique on 30 May announcing that the Soviet government had agreed in principle to grant Finland a long-term, low-interest credit of \$100 million to \$125 million for the purchase from the USSR of goods to be used for the industrial development of Finland. The communique also stated that talks would begin as soon as possible on the subject of Finnish use of portions of the Saimaa Canal.

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For the past 3 years the USSR has been extending numerous offers of aid to countries outside the Soviet Bloc for the development of atomic energy. Agreements concluded with Yugoslavia and Egypt involving the peaceful use of atomic energy are now being implemented. Reactors at Vinca, Yugoslavia, and Inshas, about 20 miles east of Cairo, are expected to be in operation by the end of 1958. Other Soviet offers of atomic aid to underdeveloped countries include the extension of scholarships and the provision of radioisotopes.

S-E-C-R-E-T

S-E-C-R-E-T

CONTENTS

	<u>Page</u>
I. General (Soviet Atomic Aid to Underdeveloped Countries of the Free World)	1
II. South Asia	4
A. Soviet Offer to Afghanistan of Free Project Surveys	4
B. Soviet and Czechoslovak Offers of Civil Aircraft to Nepal	5
C. India	5
1. Discovery of Natural Gas in Northern India by Rumanian Drilling Team	5
2. Visit to Bloc of Indian Trade Promotion Mission	5
III. Southeast Asia (Indonesia)	6
A. Delivery of Bloc Aircraft	6
B. Soviet Credits to Private Enterprise	6
IV. Middle East and Africa	7
A. Syria	7
1. Visit of Nasser to the USSR	7
2. Chinese Communist Offer to Construct Paper Factory in Damascus	8
B. Soviet Offer to Sudan	8
D. Ethiopia	9

25X1

S-E-C-R-E-T

	<u>Page</u>
1. Possible Construction by Czechoslovakia of a Cement Plant in Eritrea	9
2. Czechoslovak Offer of Military Aircraft . . .	10
V. Europe	10
A. Soviet Suspension of Developmental Credits to Yugoslavia	10
B. Soviet Credit Offer to Finland	12

- v -

S-E-C-R-E-T

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Next 14 Page(s) In Document Exempt

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